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NEWS BRIEFS

Service America defaults on loan

STAMFORD, Conn. — Service America, the large non-commercial feeder based here, has defaulted on a $195 million loan from the General Electric Capital Corp. — the senior creditor in the foodservice conglomerate's $500 million management-led buyout from Allegheny Beverage in 1987.

Service America attributed its inability to repay the loan to higher operating costs, increased competition and employee layoffs at many of the automotive and textile plants where the company provides foodservice. It also cited severance charges and relocation expenses for a series of senior-level management changes over the past six months.

Officials at Service America said that GE Capital has advised the company that under the terms of the loan, it won't be permitted to tender any interest or principal payments on its $127 million worth of subordinated debt. However, a $10.8 million interest payment on the subordinated debt is due June 15.

Currently, Service America and GE Capital Corp. are in discussions to restructure a payment schedule for its senior and subordinated debt. Service America plans to file a registration proposal for a payment restructure in about 45 days.

Big Apple slump claims Maurice

NEW YORK — The Maurice, the highly acclaimed luxury French restaurant in the Parker-Meridien hotel here, is the latest victim of the New York fine-dining downturn.

Hotel executives decided to close the 6-year-old, 100-seat restaurant early last week, citing high operating costs. "We just couldn't afford to keep it open," said Kathleen Duffy, director of public relations for the hotel. "People are just not spending as much on dining out as they once did."

While Duffy pointed out that the restaurant continued to attract "a consistent clientele," she said that the hotel — owned by Air France — is considering reopening the operation as a "less extravagant" concept. It will probably not reopen until September, she added.

The Maurice had seen a number of top chefs pass through its kitchen, including three-star Michelin chefs Alain Senderens and Marc Haeberlin, both of whom were brought in as consultants; Jean-Louis Palladin, who also served as a consultant for a short time; Christian DeLouvrier; Matthew Tivy; and, most recently, Thomas Henkelman, Haeberlin's protégé. Henkelman will not remain with the hotel, Duffy said.

Florida to require breakfasts at grade schools

TALLAHASSEE, Fla. — In a boon to contract feeders, the Florida Department of Education said it would attempt to bring all of the state's elementary schools into the National School Breakfast Program by 1992.

By the end of the 1990-91 school year, all "severe need" elementary schools — those offering a free lunch or one with a price reduced by at least 40 percent — must also offer breakfast.

Other schools will have until the end of the 1991-92 school year to begin breakfast service. According to a representative from the Florida Department of Education, the plan is still contingent on the amount of state legislative appropriations.

Currently, about half of the state's 67 school districts offer breakfast to students.

Bankrupt Sis Corp. to sell assets

CLEVELAND, Ohio — Sis Corp., the bankrupt operator of the Sisters Chicken & Biscuits fast-food chain, said it plans to sell its assets because it cannot secure financing for its original recovery program.

The company, which was a franchisee of Sisters before buying the chain from Wendy's International in 1987, has been operating under the protection of a bankruptcy court since February 1989. It had approved a plan to reorganize Sis as a first step toward restoring the company to profitability.

Sis said it was unable to obtain the financing needed to implement the strategy. Instead, the company said, it will ask the court to approve the sale of assets.

Proceeds will not be provided to company shareholders, Sis said.

Court upholds Pizza Hut rule on licensee stakes

SAN ANTONIO, Texas — Pizza Hut's third-largest franchisee said it would appeal a U.S. District Court ruling upholding Pizza Hut's contention that newer contracts require franchise operators to control 51 percent of the stock when they go public.

Meanwhile, lawyers for Pizza Management Inc., a 225-unit operator, said the protracted court battle has since resulted in Pizza Hut's filing a counterclaim to expel PMI from the system, and they added that PMI has not been offered the chain's new 20-year contract.

The case began in July 1986, when PMI sued Pizza Hut for refusing to allow the company to go public without the operators maintaining 51 percent of the stock.

PMI argued it had received contracts in 1976 and 1981, allowing the company to go public with less restrictions. But the judge found in Pizza Hut's favor that a narrow interpretation of contract language in a "superseding agreement" required franchisees to be the majority shareholders.

Owners settle dispute over Tony Roma's

DALLAS — Clint Murchison Jr.'s four children paid $1.5 million to creditors in a settlement to resolve a dispute over the ownership of the Tony Roma's — A Place for Ribs chain.

The dispute arose when Dallas millionaire Clint Murchison Jr., former owner of the 137-unit operation, filed for bankruptcy four years ago.

His four children — Clint Murchison III, Burke Murchison, Coke Anne Saunders and Robert Murchison — purchased the chain at that time.

According to the Dallas Business Journal, Mike Lynn, bankruptcy trustee in the case, sought to have the chain returned to the creditors, claiming that Murchison's children had technically defaulted the creditors by acquiring the chain from their father in 1984 for less than its true value.

The matter was complicated, the newspaper said, because Lynn was seeking to regain the value of the chain at the time of bankruptcy, which had been pegged at anywhere from $800,000 to $10 million.

Mecca Leisure rejects offer

LONDON — Mecca Leisure, operator of Hard Rock Cafes in the Eastern United States and several high-volume restaurants in Florida, has spurned an $860.7 million acquisition offer from the Rank Organisation, a communications concern also based here.

Mecca has emerged as a foodservice powerhouse in Orlando, Fla., where the British company recently expanded its feeding operations with the opening of the new Universal Studios theme park. Mecca's U.S. division is managing two of the facility's restaurants, including a guitar-shaped Hard Rock Cafe.

Mecca owns and operates Hard Rock Cafes located east of the Mississippi. It also manages several large, themed restaurants in Orlando, including King Henry's Feast, Mardi Gras and Royal Orleans.

Trumped! Lenders nix Donald's debt swap plan

NEW YORK — Donald Trump's lenders have rejected the flamboyant millionaire's offer to swap stakes in the Plaza and Grand Hyatt hotels here for outstanding debt, according to a published report.

The Wall Street Journal did not specify how much debt Trump sought to retire with his proposal. The article asserted that he is struggling to meet his loan repayment schedules.

The Plaza and the Grand Hyatt are two pillars of the local hotel industry. Recently, the Plaza has been waging an advertising campaign to bolster traffic at the landmark property's signature restaurant, the Edwardian Room.

FINANCIAL NEWS

Debt, losses do not defray TW Services expansion plan

by Milford Prewitt

SPARTANBURG, S.C. — Despite two consecutive and large quarterly losses and the debt service on a $1.7 billion leveraged buyout, TW Holdings remains committed to its ambitious expansion and remodeling program.

Profit has been elusive since management and Conisston Partners formed TW Holdings last year to buy TW Services, the diversified conglomerate whose sales volume makes it the fourth-largest foodservice company in the industry.

But in reviewing the health of the company, which is nearly $2.5 billion in debt, executives put a higher premium on long-term growth via expansion, facility improvements and improved customer service over short-term profits.

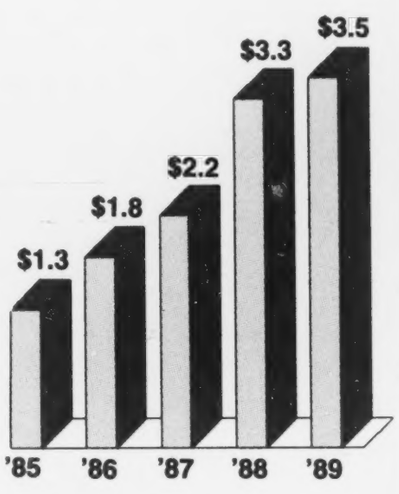
"We are not afraid of our leveraged position because we know we operate our businesses right," said Walter M. Brice, vice president and chief financial officer. "It is true that this kind of debt is a new environment for us, but the cash flow is there to service the debt and we have the people in place in leadership roles to do the job."

TW Services operates some of the best-known food service names and most-watched concepts in the industry. Its stable of operations includes: Canteen, the largest contract feeder; Denny's, the largest family restaurant chain; Spartan Foods, operator of 465 Hardee's units and owner of the 213-unit Quincy's Family Steakhouse chain; and El Pollo Loco, the 206-restaurant quick-serve chicken chain.

The company also owns some distribution and supply facilities to keep its empire fueled, but it expects to sell some of the non-strategic distribution businesses in the future.

Interest and other expenses related to the buyout and flat sales from Canteen,

TW Holdings consolidated revenues
(in billions)



Source: Company reports

which heretofore has been the company's largest contributor to total corporate sales and profit, have wrought two consecutive quarterly losses.

For the first quarter ended March 31, revenues from the restaurant division and Canteen rose 8 percent, to $862 million. But after interest and other debt-related expenses and taxes, the company lost $46 million in the quarter in contrast to an $8 million profit a year ago.

Canteen enjoyed a 26-percent boost in income, to $8.9 million, on a slim 1-percent increase in revenues, to $312.5 million. During the fiscal year ended December, Canteen's sales reflected similar flat growth, rising 2 percent, to $1.3 billion, while net income slumped 2.2 percent, to $67 million.

TW Services ended its fiscal 1989 with a $57.3 million loss on a 5-percent increase in revenues, to $3.4 billion.

Brice said the softness in Canteen's performance of late has been largely due to the slowdown from military accounts and automobile plants, both of which are slowing down production and laying off workers.

But even with the retrenchment in heavy industry, Brice said Canteen is already building a new client base with executive corporate catering, stadiums and prisons. Moreover, Brice stressed that despite the historic relationship Canteen has had with industrial accounts, no one client accounts for no more than 3 percent of the company's total sales volume.

"There has been a strategy in place for some time to diversify Canteen's client base," Brice said. "We are still heavily involved in automotive and defense industries, and traditionally through the years both of these industries have been very cyclical and our revenues and customer base — and by that I mean the number of people who are in these factories — have diminished.

"But when you push back and look at Canteen some five to eight years ago, 60 to 70 percent of our business was in the blue-collar industries, and since that time through acquisitions or marketing strategies that percentage has decreased. Our strategy is balanced diversification."

Brice said one of Canteen's strengths has been the ability to adapt to new markets and treat each client facility as a separate entity rather than imposing one smorgasbord of services to different customers.

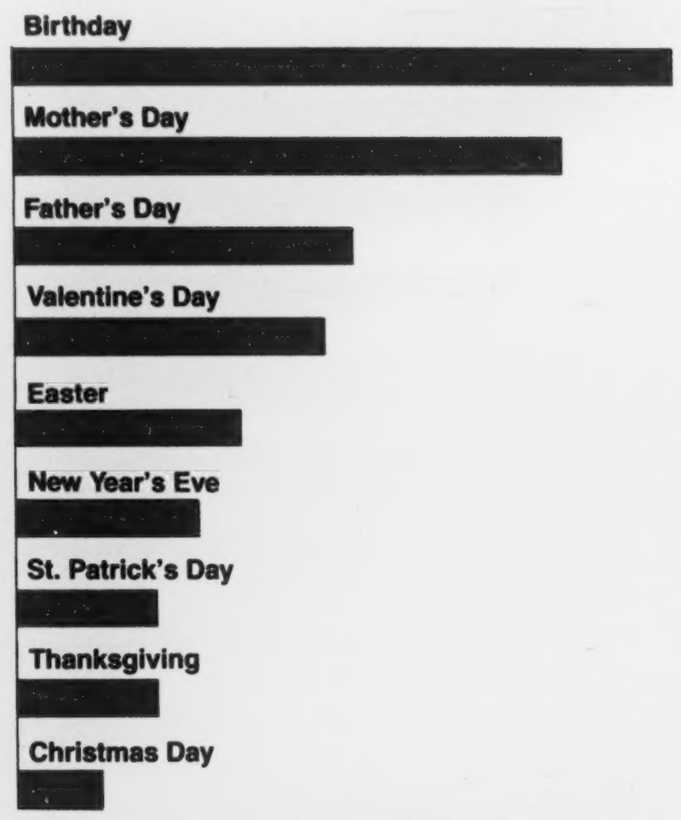
"We are trying to make opportunities out of adversity, and when you squeeze the balloon, something else has got to bulge somewhere else," Brice said. "Our emphasis is going to the field to the customer with no headquarters emphasis, with people who can touch the people's lives.

"That's why we are extremely pleased with our low turnover. When we lose a customer, what we worry about are the ones in which a custom-

(See TW SERVICES, page 59)

FACT FILE

There's no place like restaurants for the holidays
(percentage of people dining out on these special occasions*)



*Total exceeds 100 percent due to multiple responses

Source: National Restaurant Association/Gallup Survey

FINANCIAL DIGEST

Prime Motor to sell Ramada, HoJo stake

FAIRFIELD, N.J. — Prime Motor Inns, one of the nation's largest hotel operators, has finalized its agreement to sell a 65-percent interest in the Howard Johnson and Ramada lodging chains to Blackstone Capital Partners for more than $140 million.

Blackstone is a New York investment group that includes Henry Silverman, a former chairman of the Days Inn chain, and Richard Ravitch, a high-profile businessman who ran in New York's mayoral election last year.

Prime, the sole owner of the Rodeway, AmeriSuites and Wellesley Inn chains, was a franchisee of Howard Johnson and Ramada before buying those systems' franchise rights in two separate deals.

Popeyes franchisee makes Wendy's bid

NEW YORK — Fast Food Operators, a 10-unit franchisee of Popeyes Chicken, plans to issue $14.4 million in common stock, at about $5 a share, in order to buy 23 Wendy's operations along the East Coast.

The company is issuing 2.89 million shares to be swapped for the investment interest in the Wendy's units run by 14 limited partnerships all under one umbrella group called Integrated Resources Inc., from which Fast Food Operators is a spin-off.

Most of the stock, about 2,015,400 shares, will be given to limited partners in the partnership. The remaining 874,600 shares will be issued to Integrated Resources and will account for approximately 30 percent of Fast Food Systems stock when the offering is completed.

ESOP buys Andy's burger chain

LITTLE ROCK, Ark. — The employees of Andy's Restaurants, a 16-unit regional hamburger chain, bought 70 percent of the company from the owner under an Employee Stock Ownership Plan.

The ESOP will pay owner Garland Streett $3 million for his majority share of the company.

Streett will remain chairman of the nine-person board of directors until the employees can afford to buy the balance of the company.

Under the terms of employee buyout, Streett will be paid off over the course of five to seven years from the company's earnings. The plan will ultimately give the stock to the employees who can cash it in when they leave the company.

Under the ESOP, all employees who have worked at Andy's 1,000 hours and are older than 18 are eligible to participate.

Skolniks head resigns, becomes franchisee

LOUISVILLE, Ky. — Robert E. Holmberg, president, chief financial officer and board member of Skolniks, has left the president's office in order to become a franchisee of the concept.

He will retain his board membership and chief financial officer positions while Joe R. Love, chairman, assumes the additional duties of president.

FOOD PRICE OUTLOOK

Shrimp prices to remain stable

by Patt Patterson

Smaller levels of **imported shrimp** from China, Ecuador, Indonesia, Mexico, the Philippines and Thailand are expected to keep prices at spring levels through most of the summer. Smaller sizes should drop a bit with good harvests from Louisiana. From mid-July, when the Texas season starts, there may be better supplies of mediums. Don't expect the low prices on Black Tiger shrimp seen last year. Indonesia, the Philippines and Thailand will be shipping fewer, and a large proportion will go to Japan.

Egg prices remain below last year's at this time. Increased production and a fall-off in demand have kept prices down. Although **chicken** prices have been trending up again after a drop earlier, producers are still increasing flocks. Prices should settle down again into summer, although chicken is gaining a major place on the nation's barbecues as a low-cost alternative to beef and pork.

The U.S. Department of Agriculture has revised its estimates on Florida **orange juice** production upward, but don't expect prices to fall. It's still the lowest yield in a number of years, and the price of Brazilian juice, used to make up the difference, is running high.

The berry picture is good this year; expect larger supplies than last year's for cultivated **blueberries**, for **red raspberries** and **blackberries**. The only rough spot is **strawberries**, which are higher to frozen food processors this year but lower on the fresh market.

FOCUS

Above: Some of the yogurt-based cakes and pies rolled out by TCBY in an effort to spur sales during sluggish periods. Right and bottom right: Long known for such soft-served ice cream treats as hot fudge sundaes and banana splits, below, Dairy Queen has kept up with changing consumer tastes by adding frozen yogurt desserts, right, to its menu selections.

FROZEN DESSERTS

The *'cold war'* escalates as frozen yogurt makers prepare for battle against the latest weapon to shake the market — no-fat, no-cholesterol ice cream

Chilly fat-free cholesterol-free confections that makers claim rival butterfat-rich ice creams in taste and texture are the latest wild card in the increasingly crowded and big-stakes frozen-dessert game.

One recent study suggests that the emergence of fat-free "ice creams," such as the Bresler's Royale Lites line that was rolled out this month, could spell big trouble for frozen-yogurt sellers.

The breakthroughs being made by ice-cream makers come at a time when several frozen-yogurt chains are rolling out "gourmet" novelties, cakes, pies and carry-out "mix-in" products. They also come at a time when some within the segment are questioning the wisdom of the "everything-to-everyone" approach that some chains are taking.

Yogurt chain officials say they expect the new novelties, cakes, pies and other products, many of which are tied to holidays, sports and regional traditions, to boost traffic in the fall and winter and increase takeout sales year round.

But it is the emerging so-called fat-free ice creams that could stir up the most excitement in the $2.2 billion frozen- dessert business. Despite their positioning as "lite" products, fat-free cholesterol-free desserts, especially any that might be perceived as a legitimate heir to the ice-cream family's vast stockpile of popularity, cannot be taken lightly.

Many people credit much of the five-fold increase in frozen yogurt sales since 1985 to the development of "healthier" and better-tasting lines that capitalize on consumers' love of sweets and loathing of calories, fat and cholesterol.

"Guilt-free" treats are being accepted so quickly these days that the fanfare surrounding non-fat frozen-yogurt products with little or no cholesterol, which have been widely available only for a year or two at most, has all but died out. The most recent example of consumer clamoring for a "healthful" dessert can be found in the reaction to sugar-free products.

I Can't Believe It's Yogurt, a 315-unit Dallas-based chain, reported that the artificially-sweetened line of no-fat no-cholesterol frozen yogurt it introduced last year not only added incremental sales but also claims a 30-percent

*(See **FROZEN**, page 31)*

FOCUS

FROZEN DESSERTS

(Continued from page 29)
share of total sales.

David E. Lasky, president of 300-unit Bresler's Ice Cream & Yogurt Shops of Des Plaines, Ill., said his company's NutraSweet-sweetened line, which also was introduced last year, has been a top seller as well.

However, not all chains are enthralled with sugar-free products: 130-unit Penguin's Place Frozen Yogurt of Thousand Oaks, Calif., reported it has been unable to develop a sugar-free product that holds its flavor for an acceptable period.

"We're not overly impressed with the public's response," Jim Swickard, president of the California Yogurt Co., said of consumer reaction to an artificially sweetened product his company is testing.

Swickard's Encinitas, Calif., company licenses eight dip shops in California and distributes its products through hundreds of supermarkets, dip shops and foodservice outlets in Norway. He said he believes many people consider yogurt a naturally healthful food, so they view an artificially sweetened product as a "bit of a contradiction."

Contradiction or not, some operators believe consumers will have a hard time resisting a lower-calorie, fat-free, cholesterol-free "ice cream." The new products are actually ice milks that use fat substitutes to mimic the flavor and texture of super premium ice creams.

"With these fat-free 'ice creams' coming out, the question is, Will they take business from the ice-cream segment's super premium line, or [impact] frozen yogurt?" asks Bresler's Lasky.

The question is relevant to Lasky because Bresler's is currently rolling out Royale Lites, the first fat-free, cholesterol-free ice milk to be offered by a large dip shop chain. The new line, he says, is positioned as an alternative to the chain's Royale Creams super premium ice cream.

"We'd like to see incremental gains [from Royale Lites], and we think they will be there, but we're also aware there will be some cannibalization of one of the product lines," Lasky says.

Strawberry-Strawberry, Lemon Chiffon, Peach Melba and Black Cherry will be the first four Royale Lites flavors to show up in the chain's dip shops.

There can be little doubt that other chains, including 3,351-unit dip-shop leader Baskin-Robbins, are at least considering a fat-free ice milk product.

In addition to its regular and super premium ice creams, Glendale, Calif.-based Baskin-Robbins already offers a low-fat low-cholesterol ice milk called "Light," a sugar-free product, a non-dairy fruit-juice-infused "whip" and low-fat and no-fat frozen yogurts.

Baskin-Robbins, a subsidiary of Allied Lyons North America Corp., was one of the first dip-shop chains to recognize the staying power of the sweeter frozen yogurts that surfaced in the 1980s and added such a product to the menu in 1987, as did 290-unit Häagen-Dazs of Teaneck, N.J. Bresler's added frozen yogurt in 1988, and other ice-cream chains have followed suit since.

The addition of frozen yogurt to the menus of ice-cream dip shops big and small has helped revitalize that segment.

"While it is generally true that ice-cream sales have been off the last couple of years . . . down about 2 percent . . . what some [dip-shop owners] lost in ice-cream sales they more than made up in frozen-yogurt sales," National Ice Cream & Yogurt Retailers Association executive director Don Buckley says.

According to Millie Lemajich of the Restaurant Consulting Group, an Evanston, Ill., company that compiles the RE-COUNT report, the number of ice-cream shops nationwide actually declined by about 3.2 percent, to 21,496, in 1989. The number of yogurt shops, she says, increased by 33 percent, to 2,564.

Lemajich says she had no formal projections for 1990, so "I'm not sure if it [the ice-cream segment] is going to rebound this year." She characterizes the frozen-yogurt business as "hot" but added, "All the ice-cream chains are beginning to offer yogurt, so the distinction between the two [types of chains] is getting grayer and grayer."

Steve's Homemade Ice Cream of Lindenhurst, N.Y., which hasn't added frozen yogurt to the menu but which did acquire a piece of the frozen-yogurt market when it bought Heidi's Frozen Yozurt Shoppes in 1989, recently made its new Steve's Lite line available to grocery stores and the company's 100 Steve's dip shops.

The new Steve's ice milk product has 56-percent less fat, 33-percent fewer calories and 40-percent less cholesterol than the super premium line, company officials say, "but is virtually indistinguishable from super premium."

Steve's is the franchiser of about 200 Swensen's Ice Cream Parlors, 100 Steve's Ice Cream stores and 80 Heidi's Frozen Yogurt outlets. Swensen's offers a lower-calorie product, and Heidi's sells low-fat and no-fat cholesterol-free frozen yogurts.

The development of rich-tasting low and no-fat ice milks poses a threat to the frozen-yogurt market, a recent study of that market by FIND/SVP, a New York-based research house, indicates.

If synthetic fats or fat substitutes are successfully adapted to ice creams, they "would eliminate the low-fat, low-calorie advantage frozen yogurt currently enjoys," the study's author states. "This could seriously stymie future market development of frozen yogurt."

But if officials of some of the country's largest frozen-yogurt chains are very worried about low-fat or no-fat "ice creams," they aren't letting on.

"Clearly, if the makers of ice cream were able to significantly reduce its butterfat content and deliver its current flavor, texture and satisfaction, then it [ice cream] would be a stronger competitor to frozen yogurt," Dan Corrigan, of I Can't Believe It's Yogurt, concedes. However, he adds, "The fact is, that that [capability] has yet to be proved."

Penguin's Place Frozen Yogurt president William Hawfield says predictions that yogurt chains could be seriously hurt by no-fat ice milks or other new products "fail to realize that yogurt has become its own category." Yogurt chains, he says, no longer worry much about "stealing business from ice cream. . . . They now concentrate on being the best in the [yogurt] category."

As for no-fat ice milks, Hawfield says, "I don't see it hurting our business."

"Non-fat frozen yogurt fills the lower end of the spectrum for healthful products, and the upper end is filled by premium ice creams with all the taste and all the calories," the Penguin's Place president notes.

If Hawfield is correct, then no-fat ice milks must establish themselves as a viable alternative to frozen yogurt, not merely an extension of the ice-cream line, or risk ending up on the "middle ground" in terms of consumer perceptions.

Middle ground, some industry observers note, is not a good place to be in the all-or-nothing '90s.

Howard Waxman, editor of the Ice Cream Reporter, a monthly New York-based newsletter, says executives from two different chains both recently observed that customers were abandoning middle-of-the-road products to buy either super "lite" or super rich desserts.

Regardless of whether no-fat ice milks prove to be the "next" frozen yogurt or leave consumers cold, ice-cream chains are expected to continue selling frozen yogurt and to continue marketing themselves as one-stop shopping centers for frozen desserts.

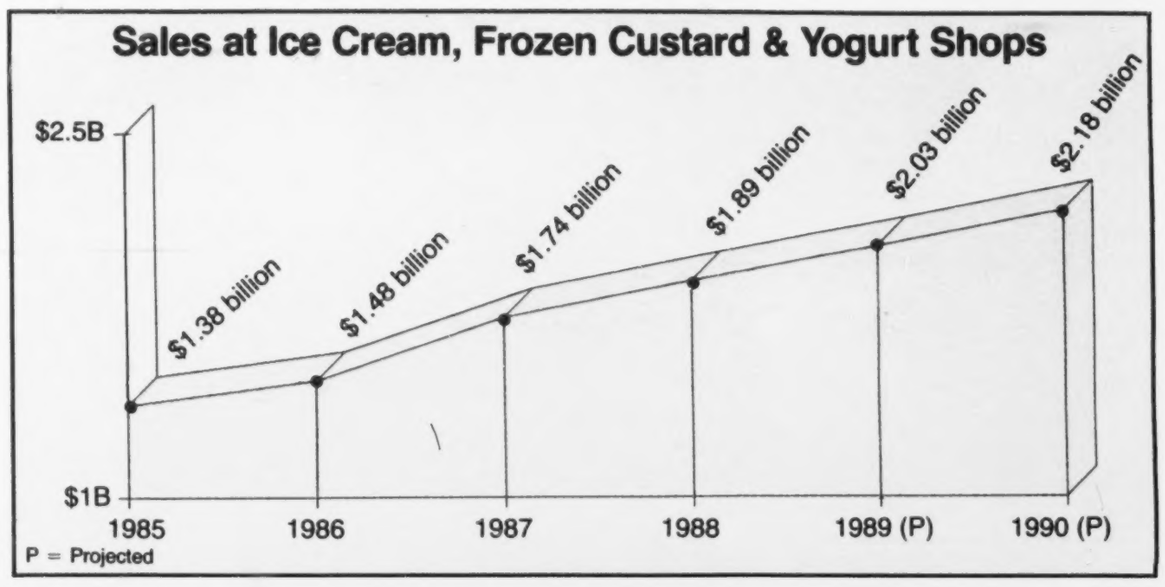
Baskin-Robbins' 1990 advertising campaign centers around its vast and extended product line and the theme line: "Now There is More to Love Us For."

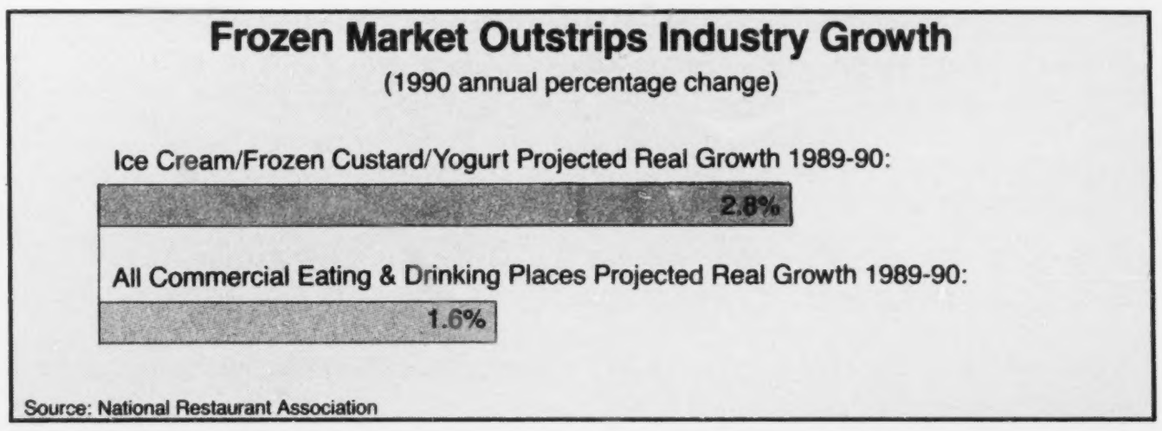
However, some specialists, on both the ice-cream and yogurt side, contend that the proliferation of menu items at some chains could lead to image and operational problems. Corrigan, I Can't Believe It's Yogurt's director of marketing, is among them.

Corrigan and some other ICBIY executives spent a number of years in the fast-food industry at companies that suffered ill effects from overly aggressive menu expansion. He says they all strive to remember that product line extension often results in "short-term" sales gains and "ongoing" operational headaches and pressures on margins.

Explaining ICBIY's careful approach to adding products, Corrigan remarks: "There is a number of us here who have lived through the seconds of glory [from product line extension] and the years of agony that one lives with when you screw up a good product [concept]."

But there are others within the segment who believe the competitive environment demands constant new product development and a broad menu.




Frozen Market Outstrips Industry Growth
(1990 annual percentage change)
Ice Cream/Frozen Custard/Yogurt Projected Real Growth 1989-90:
2.8%
All Commercial Eating & Drinking Places Projected Real Growth 1989-90:
1.6%
Source: National Restaurant Association

Indie yogurt shops predicted to melt under big chain competition

Feeling the heat from yogurt, ice-cream and fast-food chains, independent frozen-yogurt peddlers could see four-fifths of their peers evaporate by 1993, one study predicts.

The "Frozen Yogurt Market," a 150-page study by New York-based FIND/SVP, says that while the number of frozen-yogurt outlets will grow greatly between now and 1993, intense competition will drive most independents from the market and compress the margins of chain operators.

"Growth in the frozen-yogurt market is expected to level off in 1991 or 1992, leading the industry to experience a shakeout in both retail outlets and supermarket sectors," a summary of the study's findings states.

The study reached this conclusion: "Many independent operators will be forced to close, and increased competition will lead to declining profits, since competition for customers will prevent outlets from raising their prices enough to cover rising costs of labor and rent."

The FIND/SVP study's author projects that the total number of frozen-yogurt purveyors will increase from about 11,000 to 14,352 during the next three years. The roster of independents, however, could shrink from 2,200 to 435, she says.

As defined by the study, "purveyors" mean yogurt shops franchised from chains, independently owned yogurt shops and chain ice-cream shops that sell yogurt.

The increasing availability of frozen yogurt at non-specialty foodservice outlets, such as cafeterias and fast-food restaurants, is also helping to set the stage for the shakeout. Frozen yogurt was available at thousands of such outlets even before two of the industry's largest fast-food chains began offering the product.

With McDonald's recent rollout

(See FROZEN, page 32)

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Thomas R. Schwarz

Dunkin' president resigns

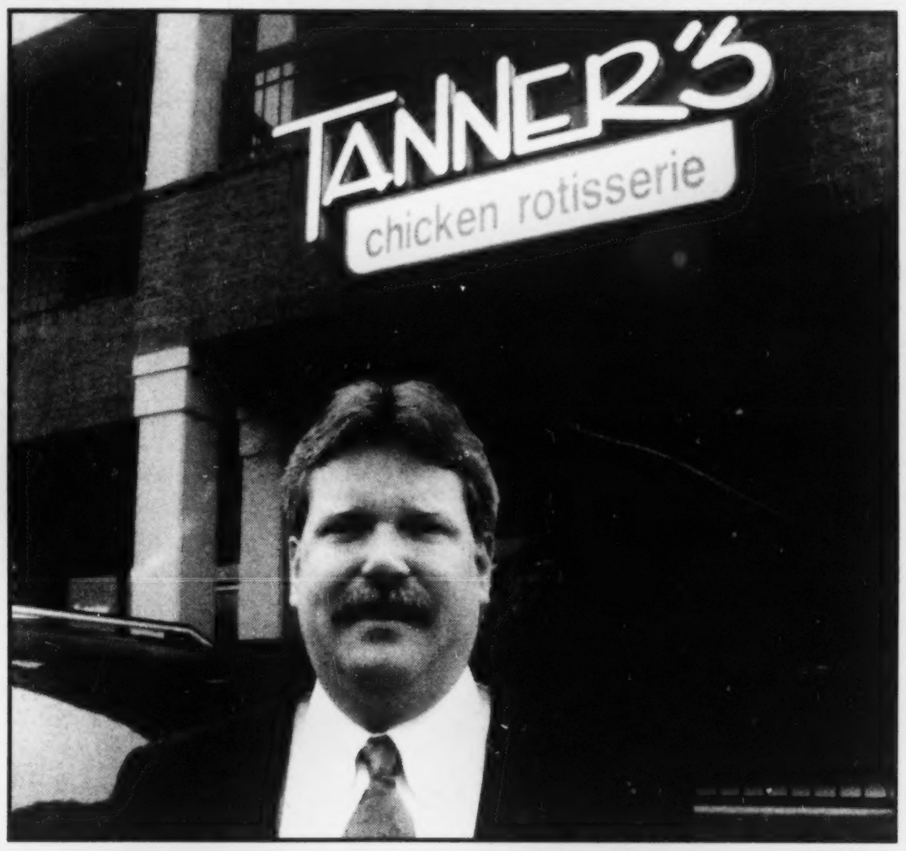
by Peter Romeo

RANDOLPH, Mass. — Thomas Schwarz has resigned as president of Dunkin' Donuts following the doughnut behemoth's absorption into its new parent company, Allied-Lyons PLC.

The longtime Dunkin' veteran has stepped down to become president and chief operating officer of Grossman's Inc., a chain of lumber stores. Grossman's has already disclosed that Schwarz will be promoted to chairman and chief executive in October.

Schwarz's decision was "not a direct result" of Allied-Lyon's friendly takeover of Dunkin' earlier this year, said Dunkin' chief executive Robert Rosenberg, who has as-

(See DUNKIN', page 82)



NRN Photo

Tanner's founder, Rick Tanner, in front of one of his units.

Rotisserie chicken pioneer in a tizzy over 'copycats'

by Jack Hayes

SMYRNA, Ga. — Calling himself the creator of the rotisserie chicken concept, which is starting to sweep the nation, Rick Tanner talks like a novelist who can't get a copyright for his best-selling book.

"I'm being ripped off everywhere I turn," growls Tanner, who is the president of a 4-year-old chain called Tanner's, which has three restaurants doing 600 sit-down covers plus 150 takeout orders per day. Checks average $5.50 per person, which yields a typical annual intake of $1 million per store.

Tanner's anguish stems from reports of new competitors scratching around in the rotisserie segment — long popular in Europe, Australia and Canada — where he staked his claim here back in 1986.

(See TANNER, page 83)

Small operators use creativity to fight giants

Deploy savvy marketing tactics as alternative to costly TV ads

by Bill Carlino

Although mega-dollar TV campaigns that heighten brand awareness and increase customer traffic are de rigueur for mammoth chains like McDonald's and Kentucky Fried Chicken, smaller operators with limited media budgets are finding marketing success through alternative advertising strategies.

Outdoor billboards, freestanding inserts, direct mail, radio spots, daypart entrée promotions, community and charity event sponsorship and a focus on local markets have allowed small and midscale operators to reach a wide customer base without sacrificing profits for expensive network buys.

"Every potential customer looks at the same TV tube and for the most part sees similar commercials," said Bill Baer, chief executive of the 23-unit Baldino's Giant Jersey Subs in Hinesville, Ga. "It

(See CHAINS, page 83)

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Restaurateurs help take a bite outta crime
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What Gorby gorged on . .

by Alan Liddle and Tracey Woodard

Soviet President Mikhail Gorbachev tasted his way from Washington, D.C., to San Francisco following his summit conference with President Bush.

Stopping in St. Paul, Minn., Gorbachev got a taste of the Midwest at the home of Minnesota Governor Rudy Perpich.

Continuing on to San Francisco, Gorbachev and his wife, Raisa, were treated at the Fairmont Hotel to a meal anchored by roast rack of lamb, one of the Soviet leader's "favorite entrées," according to hotel food and beverage director Ernesto Brandner.

Security measures were tight at both locations, with the Secret Service and the KGB spot checking and tasting several meals before deciding which one went to Gorbachev. In addition, the Secret Service evacuated the dining sites to conduct explosives sweeps before the luncheons.

The St. Paul menu was prepared highlighting the region's products by the team of Stephan Pyles, chef-owner of Routh Street Cafe in Dallas, Tim Anderson, executive chef of Minneapolis' Goodfellow's, and Nathan Cardarelle, executive chef at the governor's mansion.

Appetizers of corn cakes with smoked salmon, crème fraîche and caviar, leek quichettes with saffron, Minnesota cheese puffs and egg herring and dill canapé were followed by pecan-breaded walleye with artichokes, smoked tomatoes and local garden greens, and veal medallions with Minnesota morel sauce and wild rice-corn compote.

Playing to Gorbachev's reported fondness for fresh fruit, dessert was minted sweet biscuits with early-summer strawberries, blueberries, raspberries, cherries, cream and caramel.

Preparations for the 60-per-

(See GORBY, page 4)